

SENATE BILL 472

By Johnson

AN ACT to amend Tennessee Code Annotated, Title 48,  
relative to low-profit limited liability companies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 48-249-102, is amended by adding the following language as a new, appropriately designated subdivision:

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(A) "Low-profit limited liability company" or "L3C" means a limited liability company, formed under this chapter, that is formed for a business purpose that satisfies and is at all times operated in compliance with the requirements of subdivisions (B)-(D). If a limited liability company that met the requirements of subdivisions (B)-(D) at its formation at any time ceases to satisfy any one (1) of those requirements, then the company shall immediately cease to be a low-profit limited liability company; provided, however, that if the company otherwise complies with this chapter, then the company shall continue to exist as a limited liability company and the name of the limited liability company shall be changed in conformance with § 48-249-106.

(B) The limited liability company:

(i) Significantly furthers the accomplishment of one (1) or more charitable or educational purposes within the meaning of § 170(c)(2)(B) of the Internal Revenue Service Code of 1986, 26 U.S.C. § 170 (c)(2)(B);  
and

(ii) Would not have been formed but for the company's relationship to the accomplishment of charitable or educational purposes;

(C) No significant purpose of the limited liability company is the production of income or the appreciation of property; provided, however, that the fact that a limited liability company produces significant income or capital appreciation shall not, in the absence of other factors, be conclusive evidence of a significant purpose involving the production of income or the appreciation of property; and

(D) No purpose of the company is to accomplish one (1) or more political or legislative purposes within the meaning of § 170(c)(2)(D) of the Internal Revenue Service Code of 1986, 26 U.S.C. § 170(c)(2)(D).

SECTION 2. Tennessee Code Annotated, Section 48-249-106(a)(1), is amended by adding the following language immediately prior to the last sentence of the subdivision:

A name of an L3C formed under this chapter shall contain the abbreviation "L3C" or "l3c".

SECTION 3. This act shall take effect July 1, 2009, the public welfare requiring it.